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CERTIFIED PUBLIC MANAGER PROJECT

**REDUCTION OF PAPERWORK IN THE AGENT LICENSING
PROCESS**

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STATE DOCUMENTS



James Byrd

Special Assistant to the Director of Insurance

PROJECT GOAL

The goal of this project is to determine how I can reduce the paperwork transaction processes in the Agent Licensing Division by June, 2001. In order to achieve this goal, three important objectives must be accomplished. They are:

- ❖ a management review of the paperwork process to determine the most efficient method to adopt or retain;
- ❖ complete a comprehensive review of internal agent paperwork verification guidelines to determine applicability to the overall Agent Licensing Division's accountabilities; and
- ❖ complete a comprehensive review of the Department's archiving procedures to determine the most efficient method for use by the Agent Licensing Division.

Director of Insurance, Ernst N. Csiszar has indicated that paperwork reduction would be one of his goals to be accomplish during his term as the Director of Insurance.

PROBLEM STATEMENT

The problem involves an inordinate amount of unnecessary paperwork to license an individual as an insurance agent. Under the agent licensing process, quite a few of the internal processes are driven by laws, bulletins, regulations, internal guidelines, and state agency guidelines. With or without changes to the current laws, the paperwork process can be reduced, the Department can save dollars in supplies, printing, postage, and xeroxing, and the Department can become more efficient and effective when dealing with our customers. However, the most crucial downside to these changes could be a reduction in staff. With changes to the internal guidelines, some processes have already changed to make our service more effective and efficient to our customers.

The process we use currently to license an individual as an agent, who is a resident of South Carolina and is new to the insurance industry, involves 7 pieces of paper and possibly 2 more. The process utilized to license an individual as an agent, who is a non-resident of South Carolina and is new in the insurance industry in South Carolina, involves 5 pieces of paper and possibly 2 more. To license an individual as an agent, either resident or non-resident who is already licensed by this Department in a different line of insurance (life, accident and health or property and casualty), the process involves 3 pieces of paper and possibly 1 or 2 more. Keep in mind, in South Carolina the individual must hold a license for every insurance company that they solicit insurance products. Exhibit One is our current checklist for these processes. Exhibit Two is an instruction sheet for the insurance company when they are appointing an individual.

Once the Department receives a "licensing packet", it first goes to the Accounting/Bookkeeping Department to process the monies received. When the licensing paperwork reaches the agent licensing division, it is distributed equally among a staff of 5 employees. Each employee must verify all information on all pieces of paper and either processes it or sends it back to the insurer for additional information. If the packet can be processed, the employee will key all information into the computer system. Once the information is keyed into the computer system, then a license is generated and mailed to the insurance company. A file folder has to be created which means a label is typed and placed on the folder, the licensing paperwork is placed inside the folder and the folder is filed into the filing system. If the packet cannot be processed, it must still be keyed into the computer system in order to generate a sendback letter which is mailed, along with the paperwork, back to the insurer.

CAUSE ANALYSIS

The major problem associated with the increase in the agent licensing paperwork process involves the approval of new insurers for licensure in the State of South Carolina. To show a need for reduction of the paperwork in the agent licensing process, Graph 1 will reflect the increase in the number of new agents licensed in South Carolina from July 1, 1990 through June 30, 2000. Graph 2 will reflect the increase in the number of insurers that have been approved to write insurance products in South Carolina from January 1, 1990, through January 1, 2000. Graph 2 also reflects that between 1998 and 1999, the Department licensed approximately 40 new insurers due to a legislative change in the State's automobile insurance laws. The increase in insurers resulted in an increase of additional licensing requests. Since new insurers were appointing agents that were already licensed, Graph 1 will not reflect this increase. However, this Department's 1999 Accountability Report reflected that the additional licenses issued by the agent licensing division increased from 255,958 to 269,361, a 5.2% increase.

In 1990, the following paperwork was required for a first time resident agent:

Form 3508 (Appointment Summary), Form 3509 (Appointment),
Form 3507 (Application), Technical College Examination
Certificate, License Fee, and possibly a Letter of Clearance (this is
required when an individual has been licensed in another State and
is now a resident of South Carolina).

In 1990 the following paperwork was required for a first time non-resident agent:

Form 3508 (Appointment Summary), Form 3509 (Appointment),
Form 3507 (Application), License Fee, and Letter of Certification

(this is the document that shows the individual is currently licensed and in good standing in his home state).

In addition to the above documents, if an individual wanted to be licensed for variable contracts, then 2 more documents were needed. They were:

Form 3533 (Variable Annuity Application) and a U-4 Form (NASD's Form to show passage of Series 6 or 7 variable annuity examination).

In 1994, with a change to the State's insurance laws came the requirement for continuing education for insurance agents and the implementation of a state criminal background check on all applicants for a first time resident insurance agent's license; therefore, the following documents were needed in addition to the above:

South Carolina Law Enforcement Division (SLED) Report and a 40-hour Prelicensing Certificate.

The number of employees processing this work increased from 4 in 1990 to 6 in 1997. Currently, the number of employees is 5 due to a vacancy in December 2000. Before I took over the supervision of this area in 1997, the turnaround time for processing licensure-related paperwork took 2 to 4 weeks. In 1997, the former Director of Insurance mandated that the turn around time should be 72 hours. Currently, the turn around time for processing licensure-related paperwork is 24 to 48 hours due to improved job-related functions and an increase in staff members. Reorganization of the job duties of some of the staff members in the agent license division with long-term services in the same job position also contributed to service response time.

Notwithstanding the fact that licensing forms have duplicate informational requirements the Department is not where it needs to be in the technology arena; therefore, all forms must continue to be used.

IMPLEMENTATION PLAN

As previously mentioned, some internal processes have already been implemented. The first major change was directed at the Agent Licensing Division's archiving schedule relative to Form 3509 (Appointment) and Form 3513 (Cancellation). Prior to the change, these forms had to be kept within the Department for two years then transferred to the Department of Archives for an additional three years. Every two years, the Agent Licensing staff boxed approximately 50 boxes of Form 3509 (Appointment) and approximately 15 boxes of Form 3513 (Cancellation). Under the current process, we still maintain these forms within the agency for two years; however, instead of transferring them to the Department of Archives, they are now destroyed at the Department of Insurance. Since this process has been eliminated, time can now be used to focus on maintaining and improving the Agents Licensing Division's 72 hour turnaround time.

Cancellation Form, Form 3513. A change was made in the cancellation process to allow insurance companies to reproduce this form when needed, which saves time and money on the Department's budget relative to printing this form and having it available to mail out upon request by the insurance companies. This change has been taken a step further. Presently, insurance companies can send this cancellation information to the Agent Licensing Division in a database printout twice a month. With this change, the Agent Licensing Division can now eliminate the process of destroying this form altogether in lieu of archiving.

Appointment Form, Form 3509. A change was made to simplify the appointment process when an insurance company has a major appointment project. If an insurance

company bought another insurance company and had to license each agent with the new company, instead of completing an Appointment Form, Form 3509, on each agent, they can now provide the appointment information in a database format. With this change, the Agent Licensing Division has eliminated the process of archiving this form. For example, if an insurance company was appointing 100 agents, instead of sending 100 Appointment Forms, they could get the licensing information on 5 pages. This change would eliminate the number of pages to be filed and maintained within the Department.

Appointment Summary, Form 3508. This form is used to track monies sent to the Department for licensing fees. Referring to the same example of 100 agents, prior to the change, the insurance company would need to complete six of the Form 3508, however, with the new process, these six forms have been eliminated.

By 2002, we anticipate eliminating the Appointment Summary, Form 3508, completely due to the fact that the Department is currently considering two different options on collecting these monies. The Department is considering billing the insurance companies on a quarterly basis or allowing the insurance companies to electronically remit these monies.

Relative to the Appointment Summary, Form 3508, the Archive Schedule cannot be changed because of the Department's financial internal auditing process. Therefore, this form is boxed and maintained in the Department for 3 years and then transferred to the Department of Archives.

Application Form, Form 3507. The Application for an Agent's License cannot be eliminated due to the fact that it contains all the agent's personal history. The form has been reduced from 2 pages to 1 page, which saves on the Department's budget relative to

having the form printed. This form is also available on our website which further reduces the cost in mailing and postage.

Variable Annuity Application, Form 3533. The Variable Annuity Application was eliminated due to the fact that it asked for the same information as the Application Form, Form 3507.

NASD's Examination Form, U-4 Form. NASD's Examination Form is required to show proof that an individual had passed either Series 6 or 7 Examination in order to receive an agent's license for variable contracts. This particular form is no longer used by the NASD; therefore, to show such proof, the insurance company gets this information from NASD's website and provides it to this Department. No elimination of paper, it is just a different piece of paper.

Ideas for changes in the agent licensing process can come from management, staff members, agents, and also from the insurance companies' licensing personnel. When an idea is presented, it is discussed with the Licensing Staff. Once the Licensing Staff has reviewed the change, then the change is discussed with the Agent Licensing Division's Manager usually in a meeting format. If necessary, the Agent Licensing Supervisor will have the appropriate documentation for the Manager to review. If the change is acceptable, then the Agent Licensing staff is notified in writing so they have documentation as to all the specifics of the change. If the recommended change is not accepted and the Supervisor feels it would be to the benefit of the Agent Licensing staff and to our customers, then a complete review will be made of the plan to determine the positive and negative impact on the Agent Licensing process.

All of the above changes were basically changes to internal processes and required minimal discussion and approval with upper management. Also, these changes were positive in nature, less costly to the Department in time and money, and improved our efficiency and effectiveness in dealing with our customers.

AGENT CHECKLIST

First Time Resident Agents:

Form 3508 (Summary); Form 3509 (Appointment); Form 3507 (Application), Technical College Certificate, 40 Hour Pre-Licensing Certificate, SLED. U-4 Form and/or CRD Print Screen (if appointing for Variable Contracts), and \$40 Licensing Fee

First Time Non-Resident Agents:

Form 3508, Form 3509, Form 3507, Home State Certification, U-4 Form and/or CRD Print Screen (if appointing for Variable Contracts), \$40 Licensing Fee

First Time Pre-Need Resident Agents:

In addition to all the same forms as a first time resident agent, we need:

A Letter of Employment from a S.C. Funeral Home
A copy of the Applicant's S. C. Funeral Director's License.

First Time Pre-Need Non-Resident Agents:

Georgia is the only state we will license non-resident pre-need agents:

Same Forms as a First time Non-Resident Agent and the same forms as a first time pre-need resident agent

First Time Resident Title Agents:

Forms 3508, 3509, 3507, technical college certificate, sled, Form 3600, \$40 Licensing Fee

First Time Non-Resident Title Agents:

Forms 3508, 3509, 3507, Home State Certification, Form 3600, \$40 Licensing Fee

First Time Resident Travel, Accident and Baggage Agents:

Forms 3508, 3509, 3507, Sled, \$20 Licensing Fee

First Time Non-Resident Travel, Accident and Baggage Agents:

Forms 3508, 3509, 3507, Home State Certification, \$20 Licensing Fee

Additional Appointment (Agents are already currently licensed in South Carolina)

Form 3508, Form 3509, Licensing Fee

What to Check on Each Form

Form 3508, Summary:

Name of Company and Company Code Number
Name of Agent for each Form 3509 attached
Money is Correct

Form 3509:

Original Form (except for groups three or more companies) and (outsource entities)
All items are completed
Verify information to that on Form 3507

Form 3507:

Original Form (handwritten or typed)
Form is completed in its entirety
Section 2, Question 4. If answer is consistent with information on SLED Report, give to the Supervisor

Technical College Certificate:

Original Form
Verify information on this Form with that on Form 3507 and Form 3509
Form has not expired - 90 days after date taken
Signature is not a stamped signature

Form 3536 (Pre-Licensing Form):

Original Form
Either Section 1 or Section 2 is completed in its entirety
Verify information on this Form with that on Form 3507 and Form 3509
Form has the right Lines of Authority
Signature is not a stamped signature
Form was completed by a licensed and approved entity
Form has not expired - 2 years after date taken

SLED:

A. From SLED:

Original Form
Verify Social Security Number with that on Form 3507 and Form 3509
Form has Red Stamp (No Charge or Arrest Record)
Form has Blue Metered Date Stamp
Form has not expired - 3 months after date stamp
If Form has convictions, verify they are not crimes of moral turpitude. If convictions are crimes of moral turpitude, then give paperwork to Supervisor

B. From Internet:

Form has name and date of birth
Form has not expired - 3 months after date printed
Form has no convictions

Home State Certification:

Verify name and social security number of applicant
Form shows same lines of authority as in the home state. (Applicant can be licensed in South Carolina for those lines of authority that he/she holds in his/her home state only.)
Form has not expired - 6 months after issuance
Florida Certifications must show applicant is currently appointed for the same lines of authority

U-4 Form or CRD Print Screen:

CRD Print Screen that shows passage of either Series 6 or 7
Name and SS#

SOUTH CAROLINA AGENT LICENSING REQUIREMENTS

I. First Time Agent. Insurer must submit:

1. **Original Form 3507, Application for Individual License. Must be completed by the applicant [written], signed and notarized. (Reproducible)**
2. Licensing Fee.
3. Form 3508, Agent Summary. **(Reproducible)**
4. Form 3509, Appointment of Individual Agent. **Must be typed and completed by the authorized appointing officer for the sponsoring insurer. (Not Reproducible)**
5. **Original Examination Certificate. Expires 90 days after issuance.**
6. **Original Form 3536, Prelicensing Education Certificate. Expires 2 years after issuance. (Reproducible)**
7. **Original SLED - Criminal History Report. Expires 3 months after issuance. Must have one letter per applicant. EFFECTIVE MARCH, 2000, THIS REPORT CAN NOW BE OBTAINED THROUGH SLED'S WEBSITE, WHICH IS WWW.SLED.STATE.SC.US**
 Contact: State Law Enforcement Division, Attn: Central Records Depository
 4400 Broad River Road, Post Office Box 21389
 Columbia, South Carolina 29221
 Cost: \$25 per record (company check or money order only)
 (803) 737-9000
TO SET UP AN ACCOUNT, CONTACT SLED AT (803)896-7216.
8. If the applicant has been previously licensed as a resident agent in another state, a letter of clearance is required from the Insurance Department of the state where the previous license was held.

II. Additional Appointments for Currently Licensed Agents. Insurer must submit:

1. Licensing Fee
2. Forms 3508 and 3509

Non-resident agents have the same requirements and also use the same forms as resident agents, **except that no SLED report is required for non-resident agents.** In addition, they must furnish a current home state certification letter **(within six months)** from the Insurance Department of their resident state.

III. Variable Contract. Insurer must submit:

Copy of U-4 Status Report Form from NASD reflecting the qualifying examination(s). (Must be Series 6 or 7 specifically). In the alternative, the agent may take the state variable contracts examination.

In lieu of the U-4 Status Report Form, the CRD screen from the NASD Internet Website/FAQS can be used. The screen report must show applicant's name and social security number and show passage of Series 6 or 7.

CANCELLATION OF INSURANCE AGENTS

Form 3513, Cancellation Form. **(Reproducible) OR**

Pursuant to this Department's Memorandum of August 17, 2000, the new procedure is:

Insurers can list the individual's name and social security number, in alphabetical order, on their letterhead showing insurer's name and company code number, reason for cancellation, indication that agent has been notified of such cancellation, and sign and notarize list.

Due to limited filing space at the Department, we ask insurers to list as many individual's on one page as possible.

If the agent's license was cancelled due to failure to comply with South Carolina's continuing education requirements, insurers DO NOT need to submit notification to this Department.

AGENT LICENSE FEES AND RENEWAL DATES

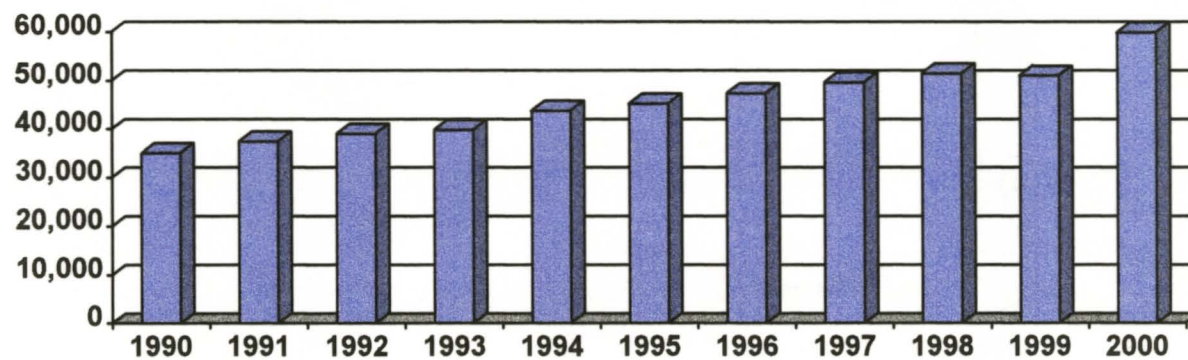
Local	\$ 40	September 1 on even-numbered years
General	\$100	September 1 on even-numbered years
Special	\$100	September 1 on even-numbered years
Travel Accident and Baggage	\$ 20	September 1 on even-numbered years

REQUESTS FOR LICENSING FORMS

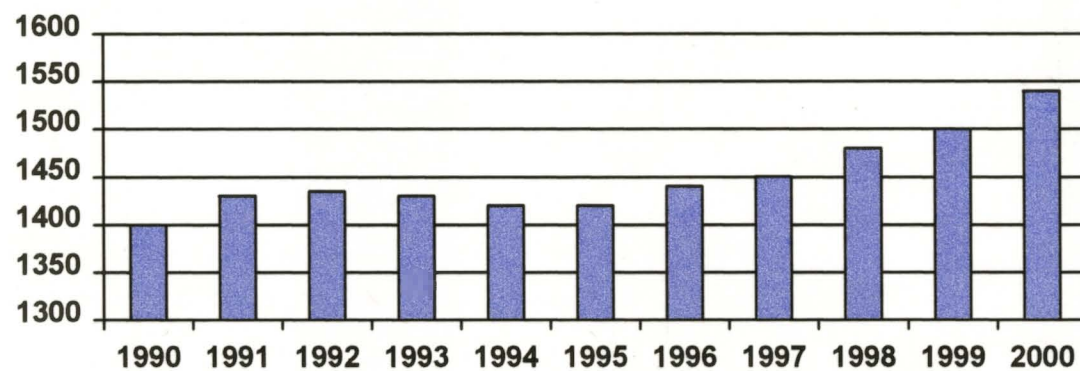
Agent licensing requirements apply to all insurers and all lines of insurance. Licensing forms are furnished to the insurers only upon receipt of a written request on the insurer's letterhead, signed by an authorized appointing officer, and with a self-addressed, stamped envelope. Please direct all correspondence and questions to:

Licensing and Education Services
South Carolina Department of Insurance
Post Office Box 100105
Columbia, South Carolina 29202
(803) 737-6095

LICENSED AGENTS



LICENSED INSURERS



GRAPH 3

**TIME
(\$10 PER HOUR)**

PROCESS	TIME		COST		SAVINGS
	Current	After	Current	After	
Archiving Form 3509	15 hours	7.5 hours	\$150.00	\$75.00	\$75.00
Archiving Form 3508	7 hours	0.0 hours	\$ 70.00	\$ 0	\$70.00

**POSTAGE
(ONE YEAR AT \$.33)**

PROCESS	COST		SAVINGS
	Current	After	
Mailing Form 3507	\$ 200.00	\$ 0	\$ 200.00
Mailing Form 3508	\$ 200.00	\$ 0	\$ 200.00
Mailing Forms 3509/3513	\$3,120.00	\$560.00	\$1,560.00

**PRINTING
(ONE YEAR'S SUPPLY)**

PROCESS	COST		SAVINGS
	Current	After	
Forms 3509/3513 (2-sided form)	\$1,368.00	\$844.00	\$524.00
Form 3508	\$ 844.00	\$ 0	\$844.00

**XEROXING
(ONE YEAR'S SUPPLY)**

PROCESS	COST		SAVINGS
	Current	After	
Form 3507	\$90.00	\$0	\$90.00